

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Price Changes

Docket No. CP2023-42

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE NOTICE OF CHANGES IN
RATES AND CLASSIFICATIONS OF GENERAL APPLICABILITY
FOR COMPETITIVE PRODUCTS

(December 2, 2022)

The Public Representative hereby provides comments pursuant to the Commission notice initiating this docket.¹ In that notice, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice of Changes in Rates and Classifications of General Applicability for Competitive Products.²

COMMENTS

The Public Representative has reviewed the Postal Service's Notice, supporting attachments, Responses to CHIR No. 1³ and CHIR No. 2⁴, and the financial workpapers filed under seal. Based upon that review, the Public Representative concludes that the price changes for competitive products will continue to satisfy the requirements of 39 U.S.C. § 3633(a). In addition, the Public Representative supports all proposed Mail Classification Schedule changes.

¹ Notice and Order Concerning Changes in Rates and Classifications of General Applicability for Competitive Products, November 14, 2022.

² USPS Notice of Changes in Rates and Classifications of General Applicability for Competitive Products, November 10, 2022. (Notice)

³ USPS Response to Chairman's Information Request No. 1, with Materials Filed Under Seal, November 28, 2022. (Responses to CHIR No. 1)

⁴ USPS Response to Chairman's Information Request No. 2, with Portions Filed Under Seal, December 1, 2022. (Responses to CHIR No. 2)

Price Change Schedule

The new prices and classification changes will take effect on January 22, 2023. Notice at 1. The time-limited price changes approved in Docket No. CP2022-99⁵ were implemented on October 2, 2022, and end on January 22, 2023, the same day that the Docket No. CP2023-42 prices will be implemented. While the Postal Service has the flexibility to raise prices as many times as it deems necessary, labeling Docket No. CP2022-99 as a limited-time price change is misleading since prices never revert back to the current levels approved in Docket No. CP2022-22.⁶ However, the Public Representative acknowledges that the average price changes for Priority Mail and First-Class Package Service in Docket No. CP2023-42 are slightly lower than the limited-time price changes in Docket No. CP2022-99, 0.8 percent and 0.5 respectively. At the same time, the price changes for Parcel Select in Docket No. CP2023-42 are half of the limited-time price changes in Docket No. CP2022-99. Except for Priority Mail Express, for Calendar Year (CY) 2023, customers will benefit from lower prices on average as compared to CY 2022 limited-time prices.⁷

Product Name	Price Change (%) CP2022-99	Price Change (%) CP2023-42	Difference
Domestic Competitive Products			
Priority Mail Express	2.7	6.6	3.9
Retail	2.8	6.7	3.9
Commercial	2.1	6.0	3.9
Priority Mail	6.3	5.5	(0.8)
Retail	6.3	6.8	0.5
Commercial	6.1	3.6	(2.5)
Parcel Select	10.2	5.1	(5.1)
Destination-Entered non-Lightweight	n/a	5.1	n/a
Destination Delivery Unit	5.9	5.6	(0.3)
Destination Sectional Center Facility	12.8	4.7	(8.1)
Destination Network Distribution Center	12.8	5.0	(7.8)
Lightweight	0.0	6.1	6.1
Ground	4.2	0.0	(4.2)
First-Class Package Service	8.3	7.8	(0.5)
Retail	8.2	6.9	(1.3)
Commercial	8.4	8.0	(0.4)
Retail Ground	5.8	6.4	0.6

⁵ Docket No. CP2022-99, Order Approving Price Adjustments for Domestic Competitive Products, September 6, 2022.

⁶ Docket No. CP2022-22, Order Approving Changes in Rates of General Applicability for Domestic Competitive Products, December 21, 2021.

⁷ Retail Ground will be removed sometime in 2023.

Once again, while the Postal Service has pricing flexibility, to ease the administrative burden on mailers and the Commission, the Postal Service could consider one competitive rate case per year instead of two. Instead of having limited-time price changes implemented from October through January, the Postal Service could consider implementing the CY prices in October to cover the holiday season. Instead of having customers face current CY prices, limited-time CY prices, potential reversion to current CY prices, and new CY prices, there could just be current CY prices and new CY prices with implementation in October instead of January. From a customer relation perspective, a limited-time price change that never reverts back to current prices is equivalent to a permanent price change.

While such a pricing schedule would not align with the market dominant price changes that typically take place in the January, the Postal Service implemented two market dominant rate cases within the last year, Docket No. R2022-1 in July 2022 and Docket No. R2023-1 for January 2023, along with the limited-time competitive price changes in Docket No. CP2022-99 implemented in October 2022. Competitive and market dominant products clearly no longer adhere to similar schedules; thus, the Public Representative sees no need to tether competitive price changes to January.

Price Change Magnitude

Product Name	Price Change (%) CP2022-22	Price Change (%) CP2023-42	Difference
Domestic Competitive Products			
Priority Mail Express	3.1	6.6	3.5
Retail	2.9	6.7	3.8
Commercial	4.3	6.0	1.7
Priority Mail	3.1	5.5	2.4
Retail	4.5	6.8	2.3
Commercial	1.2 - 2.7	3.6	n/a
Parcel Select	5.5	5.1	(0.4)
Destination-Entered non-Lightweight	-11.1	5.1	16.2
Destination Delivery Unit	6.1	5.6	(0.5)
Destination Sectional Center Facility	-10.4	4.7	15.1
Destination Network Distribution Center	-23.1	5.0	28.1
Lightweight	7.4	6.1	(1.3)
Ground	-12.1	0.0	12.1
First-Class Package Service	7.6	7.8	(0.2)
Retail	8.4	6.9	(1.5)
Commercial	7.4	8.0	0.6
Retail Ground	-7.4	6.4	13.8
Domestic Extra Services			
Premium Forwarding Service	5.1	6.5	1.4

Product Name	Price Change (%) CP2022-22	Price Change (%) CP2023-42	Difference
Adult Signature Service			
Basic	23.3	6.5	(16.8)
Person-Specific	22.4	6.9	(15.5)
Competitive Post Office Box	18.2	6.5	(11.7)
Package Intercept Service	4.6	6.6	2.0
Pickup On Demand	n/a	6.0	n/a
Premium Data Retention and Retrieval Service	-51.7	0.0	51.7
International Competitive Products			
Global Express Guaranteed	2.3	4.9	2.6
Priority Mail Express International	3.2	6.0	2.8
Priority Mail International	3.7	6.0	2.3
International Priority Airmail	4.9	3.5	(1.4)
International Surface Air Lift	8.2	12.0	3.8
Airmail M-Bags	5.0	6.4	1.4
First-Class Package International Service	4.2	6.5	2.3
International Ancillary Services and Special Services			
International Ancillary Services	5.0	12.2	7.2

Prices changes for Parcel Select and First-Class Package Service for CY 2023 in Docket No. CP2023-42 are almost identical to the CY 2022 price changes in Docket No. CP2022-22. While the price changes for Priority Mail Express and Priority Mail for CY 2023 in Docket No. CP2023-42 are higher than the price changes for CY 2022 in Docket No. CP2022-22, the price changes are not as high as inflation. Market dominant products received CPI-U pricing authority of 5.135 percent in Docket No. R2022-1 and 4.200 percent in Docket No. R2023-1 for a total of 9.335 percent.⁸ In light of the exceptionally high inflation within the past year, the Public Representative commends the Postal Service for some restraint in its pricing flexibility. At the same time, the Public Representative hopes that inflationary pressures do not create exceptionally higher costs which could impact the cost coverage of individual products and competitive products as a whole.

Sufficient Revenue Requirement

Pursuant to 39 U.S.C. § 3633(a), the Postal Service's competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and ensure that all competitive products collectively contribute an appropriate share of the institutional

⁸ Postal Regulatory Commission website, Available Market Dominant Rate Authority, November 28, 2022. <https://www.prc.gov/sites/default/files/Available%20Rate%20Authority%2011-28-22.pdf>

costs of the Postal Service. The Public Representative has reviewed the financial data filed under seal and concludes that the Postal Service's proposed competitive prices will continue to generate sufficient revenues to satisfy U.S.C. § 3633(a).

While the third revision of the appropriate share of institutional costs for competitive products is still under review in Docket No. RM2022-2, the current formula-based approach used by the Commission calculates the FY 2023 appropriate share as 10.4 percent.⁹ The Postal Service demonstrates that contribution from competitive products in FY 2022 is 39.1 percent of institutional cost. Responses to CHIR No. 1, Question 5. The Public Representative notes that the current contribution of 39.1 percent far exceeds the required 10.4 percent.

Consolidation of Commercial Base and Plus (PME and PM)

The Postal Service is collapsing the Commercial Base and Commercial Plus price categories under the Priority Mail Express and Priority Mail products. Notice at 2. Since the prices for Commercial Base and Commercial Plus have been equivalent for some time, the Public Representative supports the consolidation to create a more streamlined price schedule.

Elimination of Priority Mail Regional Rate Boxes

The Postal Service is eliminating the Priority Mail Regional Rate Boxes offering. Notice at 3. Priority Mail Cubic is the closest comparable option for Regional Rate Boxes customers just without free packaging. However, if customers still desire free packaging, they can use Priority Mail Flat Rate Boxes. The Postal Service also views Priority Mail Flat Rate Boxes with a "strong degree of substitutability" because the product offers small, medium, and large boxes with no differences in service. Responses to CHIR No. 2, Question 2.a. Since Priority Mail Regional Rate Boxes have not been a widely used offering and there are adequate substitutes, the Public Representative supports the removal to create a more streamlined price schedule.

⁹ Docket No. ACR2021, Annual Compliance Determination Fiscal Year 2021, March 29, 2022, at 97.

Zone L,1,2 Split into Zone 1 and Zone 2 (Multiple Products)

For several of its competitive products, the Postal Service will be splitting out the existing “Zone L,1,2” category into separate Zone 1 and Zone 2 categories. Notice at 4. The Postal Service states that “the new Zone L/1 price will be lower than what the Zone L/1/2 price would have been, and the new Zone 2 price will be higher than what the Zone L/1/2 price would have been.” Responses to CHIR No. 2, Question 2.b. The Public Representative supports the more competitive prices for Zone 1 at the expense of less competitive Zone 2 prices and agrees that commercial volume from Postal Service competitors is more comparable to Parcel Select Destination Delivery Unit.

Label Delivery Service Introduced

The Postal Service is introducing a new price category under the Competitive Ancillary Services product for a new Label Delivery Service. Notice at 4. The Postal Service states that “customers must visit a retail office or have available to them an online application to create an outbound/return label if the merchant does not include a return label in the shipment.” Responses to CHIR No. 2, Question 3. The Public Representative supports the introduction of Label Delivery Service as a reasonably priced offering that allows customers to return packages and receive confirmation of delivery.

Elimination of PMEI Offered at a Discount at Retail

For Priority Mail Express International, weight-rated items tendered at retail counters will no longer be offered at prices equivalent to Priority Mail International for certain destinations and weight steps subject to certain requirements and conditions. Notice at 5. The Public Representative supports the removal of the PMEI discount to improve the cost coverage of the product.

Elimination of Origin Zones for Priority Mail International to Canada

The zoned prices based on origin ZIP Code for Priority Mail International destined to Canada will be collapsed into a single country group for Priority Mail International to Canada, and the related fee for the International Service Center zone

chart for Priority Mail International pieces destined to Canada will be eliminated. Notice at 6. The Postal Service states that “prices for Origin Zones 1.1 through 1.8 were made identical in the January 2022 competitive published price change that was the subject of Docket No. CP2022-22.” Responses to CHIR No. 2, Question 2.d. The Public Representative supports the elimination to create a more streamlined price schedule that has a minimal impact on cost coverage.

The Public Representative respectfully submits the foregoing comments for the Commission’s consideration.

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